Religious challenge by shareholder actions: changing the behaviour of tobacco companies and their allies

Michael H Crosby

Many religious groups refuse to own so-called "sin" stocks in companies associated with alcohol, gambling, or tobacco because they believe they are harmful and can be addictive. A coalition of religious institutions without such portfolio exclusions ("screens") has developed a strategy for dealing with the tobacco industry and its allies by using their stock to challenge issues through shareholder resolutions.

In 1972 the Interfaith Center on Corporate Responsibility was established in New York. It now comprises a coalition of around 300 Protestant, Jewish, and Catholic institutional investors who use their investments to challenge companies on various social issues. Since 1980, members of the coalition have tried to persuade tobacco companies to limit the yields of tar and nicotine in cigarettes sold in developing countries and to add health warnings on their packaging. In the past 10 years, however, the coalition has addressed other issues associated with tobacco, including spinning off a company's tobacco related business, cigarette smuggling, carcinogens, and advertising (for example, the campaign to promote cigarettes with a cartoon character called "Joe Camel"). The coalition has also challenged companies contributing filters or glue for tobacco products, media companies with cigarette advertisements in magazines with a high youth readership, restaurant chains that are not yet smoke free, and health institutions giving preferential rates to non-smokers but which hold tobacco in their portfolios.

Although the coalition has had slight success among tobacco companies, it has had most impact on the behaviour of corporations involved discreetly in tobacco. Until challenged, these corporations were quietly benefitting from their part in the tobacco industry.

This article discusses the efforts of the Interfaith Center on Corporate Responsibility in the United States. It also briefly reviews the various positions on tobacco by religious denominations and shows how they have used stocks to try to bring about corporate change on tobacco related issues.

Summary points

Most religious institutions do not have strong policies on tobacco

For the past 20 years a coalition of religious institutions in the United States has used shareholder resolutions to try to change the behaviour of tobacco companies and their corporate allies

Successful shareholder actions include Philip Morris putting health warnings on cigarette packs sold outside the United States, companies severing their part in tobacco production (Eastman Kodak, 3M, Sara Lee), and smoking being banned in restaurants owned by McDonald's

Unsuccessful resolutions can still educate shareholders about corporate misconduct, shame the companies and executives for their misdeeds, and highlight a lack of interest in corporate reform

Methods

Although Islamic and Jewish groups have issued strong statements on tobacco, I have limited my discussion to mainline Christian denominations in the United States. Comments arise from my ongoing research, including a survey I sent to the headquarters of the Christian groups to prepare for the 10th world conference on tobacco in Beijing. I based my questions on six areas: whether the group or its parent organisation had made any morality statement about tobacco; issues related to tobacco investments (screens, holding stocks, divestment, and shareholder involvement in tobacco concerns); smoke free workplaces; acceptance of monies from tobacco interests; whether the religious institution had ever honoured tobacco executives; and personal impressions and reasons why religious leaders have been silent or vocal on the issue of tobacco. I found that those groups with the strongest positions on tobacco (like the Seventh Day Adventists) tended to have a higher response rate than those with weaker or no positions, such as the Catholics. Among the Catholic institutions surveyed (including congregations of religious women and men, healthcare systems, and archdioceses and dioceses), the archdiocesan and diocesan responses were the weakest.

It would be thought that religious institutions that purportedly exist to promote moral values would be at the forefront of efforts to get tobacco companies and their allies to "do no harm." Yet, although there are definite statements in some of the Protestant denominations regarding smoking, I found only one major religious organisation, the American Baptist Church, addressing the issue of executives and workers in the tobacco industry itself.

Two thirds of Protestants indicated that their denomination had an important moral position on tobacco, considering the body to be a temple of God, which smoking violates.[1] The positions of the Protestant groups contrast strikingly with those of the Roman Catholic church. The closest the Catholic church has come to expressing any official concern about tobacco is in the *Catechism of the Catholic Church*: "the virtue of temperance disposes us to avoid every kind of excess: the abuse of food, alcohol, tobacco, or medicine."[2] Also, the papal bull of Pope John Paul II, 29 November 1998, outlined guidelines for indulgences that could be gained during the 2000 "holy year," stating that the church would offer a plenary, or full, indulgence (one per day) during the holy year for those who went to confession and communion, and then "abstain

Tobacco Program, Interfaith Center on Corporate Responsibility, New York, NY 10115, USA

Michael H Crosby
coordinator

Correspondence to: M H Crosby, Interfaith Center on Corporate Responsibility, Milwaukee, WI 53233, USA
mikecrosby@aol.com

BMJ 2000;321:375–7

bmj.com

Tables detailing shareholders votes against tobacco issues appear on the BMJ's website for at least one whole day from unnecessary consumption, such as … tobacco."

Questioning this "indulgence for an indulgence," I wrote in a Catholic weekly newspaper: "the pope, the Vatican and the US bishops continually challenge Catholics on the issue of abortion. But all have maintained virtual silence on the fact that, annually, cigarette smoking causes up to 141,000 abortions in the United States alone, according to the *Journal of Family Practice*. Does not this number parallel the number of deaths coming from 'partial birth' abortions?"[3 4]

The first resolution by church groups

In 1980 I visited some of the men from my Capuchin Franciscan province working in Central America. I witnessed the ubiquity of the US tobacco industry, its advertising, and products (cigarettes were often sold singly because people could not afford to buy them in packs). Having worked with the Interfaith Center on Corporate Responsibility since 1973 and in my capacity as its corporate responsibility agent for my province, I asked the provincial treasurer to purchase 10 shares each in Philip Morris and R J Reynolds Tobacco. I then filed on behalf of my province the first shareholder resolution to challenge the tobacco industry.

Procedure

Resolutions are filed only after dialogue and efforts at change have proved problematic. Shareholder resolutions fall under the aegis of the US Securities and Exchange Commission. In 1980 no minimal amount of stock was needed to file a resolution and no time stated for ownership of the stock. These days the commission requires an aggregate of at least $2000 of the stock, which must be owned at least one year before a resolution is filed. The shareholder resolution must be fewer than 500 words.

Once a company receives a filing letter and resolution, it can respond in one of three ways: it can try to dialogue with the proponent to reach an agreement that would result in withdrawal; it can include the resolution in its annual proxy materials for the annual meeting (with its statement in opposition); or it can challenge the proponent's resolution at the Securities and Exchange Commission, trying to exclude it from the materials. This necessitates a counter response. If the resolution is voted on it must receive 3% of the vote in the first year, 6% in the second year, and 10% in all successive years, in order to be "returned"—that is, placed automatically on the agenda of the company's next annual meeting.

The resolution

In the resolution I asked for a report describing both Philip Morris's and R J Reynolds's various markets in Africa, Asia, and Latin America and the advertising, promotional activities, and costs associated with these markets. I also asked for a description of the companies' policies related to the World Health Organization's recommendation to ban tobacco promotion, especially in developing nations; the limitation of tar and nicotine yields to US levels; and whether the companies would inform consumers, through package warnings of the health hazards of smoking, in developing countries that at that time had no requirements for warnings.

Because the Interfaith Center on Corporate Responsibility assumed that the US surgeon general's warning on American cigarette packs was enough to dissuade people from smoking, all of its resolutions until 1990 were aimed at tobacco issues in developing countries. Furthermore, because a large percentage of the members were Protestant denominations with "screens" against the "sin stocks," my efforts to make tobacco an issue on behalf of the centre failed for the first few years.

My ministry of challenging the tobacco companies was first noticed in 1985 in the *New York State Journal of Medicine*.[5] After this the Interfaith Center on Corporate Responsibility created an "issue group" for dealing specifically with tobacco issues. The group is coordinated by a steering committee comprising myself and several leading advocates on tobacco control.

A turning point

A turning point in the centre's work came in 1989. Until then the Securities and Exchange Commission had limited the centre's shareholder resolutions because the tobacco companies had argued that many of its concerns, especially those related to health and marketing, were "ordinary business." (The "ordinary business" clause allows a company to omit a proposed shareholder resolution if it "deals with a matter relating to a company's ordinary business.") In 1989, however, members of the centre filed resolutions with Philip Morris, American Brands (American Tobacco, now BAT), Loews (Liggett), and Kimberly-Clark (its annual sales related to tobacco amount to hundreds of millions of dollars) to amend their corporate charters to become tobacco free by the year 2000 (R J Reynolds had just gone private). The companies challenged the resolutions on "ordinary business" grounds. The staff of the Securities and Exchange Commission again ruled in favour of the companies. This time my Capuchin Franciscan province appealed on the basis of health and social costs through the attorney for the Interfaith Center on Corporate Responsibility. The commission then reversed its decision and notified the full commission, which concurred. This enabled us to expand our tobacco concerns, both in terms of the issues we could raise and the range of corporations we could address (table).

Successful challenges

In October 1997, the Investor Responsibility Research Center, the independent agency that reviews shareholder activity for institutional investors, published an item on our work related to tobacco over the years."(6) A few of our successes were emphasised (box).

Some of our other "successes" include persuading Pfizer to stop selling its products to the tobacco industry for use in the growing of tobacco or the manufacture of tobacco products, persuading Eastman Kodak to stop making filters for cigarettes and persuading Sara Lee to sell its unit for cut tobacco.[7]

The centre's most recent successful challenge is persuading Philip Morris to support state legislation restricting self service displays of tobacco products in retail stores to "behind the counter." Although this will not necessarily limit tobacco sales, it should prevent theft, an important means of minors obtaining tobacco.[8]

Examples of religious shareholders' concerns related to tobacco, 1990-2000

Issue	Company	Percentage of shareholders voting for resolution (year)
Address the promotion of smoking by youth in developing countries	Philip Morris	9.8 (1997), 9.8 (1998), 7.2 (1999)
	R J Reynolds	6.6 (1997), 5.1 (1998)
Efforts to reduce sales to minors	Philip Morris	3.5 (1990)
	US Tobacco*	3.9 (1991), 3.7 (1992),4.7 (1997) 4.7 (1998)
Advertising to minors	Loews	4.6 (2000)
	Philip Morris	3.5 (1990), 3.4 (1991), 5.4 (1999), 7.9 (2000)
	R J Reynolds	4.8 (2000)
	US Tobacco*	3.9 (1991), 3.4 (2000)
Report on company's compliance with advertising code for tobacco	American Brands	7.7 (1991), 6.7 (1992), 6 (1993)
	Loews	3.7 (1992), 3.4 (1993)
	Philip Morris	6.6 (1992), 4.8 (1993)
Having an independent review of smuggled cigarettes	Philip Morris	6.1 (1998), 5.2 (1999)
	R J Reynolds	3.6 (1998), 5.4 (1999)
Making essential elements for tobacco	Eastman Chemical	2.8 (1996), lost at SEC (1997), lost at SEC (1998)
	Eastman Kodak	7.7 (1991), 4.4 (1992)
	H B Fuller	10.3 ((1996), 10.2 (1997), 9.0 (1998), 13.3 (1999), 7.0 (2000)
	Kimberly Clark	3.9 (1990), 4.6 (1991) 8.8 (1995)
Media companies advertising tobacco	Knight-Ridder	4.0 (1994), 14.2 (1995)
	Time Warner	8.4 (1992) 8.7 (1993), withdrawn (1994), 6.1 (1995), withdrawn (1996)
Smoke free facilities	Hilton Hotels	Lost at SEC (1998)
	International House of Pancakes	3.4 (1997), 3.2 (1998)
	McDonald's	Omitted by mistake (1993), withdrawn and agreement reached (1994)
	Pepsico	Withdrawn (1993), 7.1 (1994), 6.8 (1995), 6.7 (1996)
	Wendy's	Sued (1994), sued (1995), sued (1996), 16.8 (1997)

SEC=Securities and Exchange Commission.
*Leading manufacturer of smokeless tobacco products in United States; now known as UST.

Additional benefits from shareholder resolutions

Even when shareholder resolutions are not passed, they serve several useful purposes. The debate they generate at company annual meetings helps to educate the shareholders about corporate misconduct. In a visible public forum the resolutions embarrass and shame the companies and their executives over their misdeeds. Company opposition to seemingly benign resolutions—for example, those asking Philip Morris, R J Reynolds, Loews, and UST (formerly known as US Tobacco) to submit their advertising campaigns to an independent assessment of their impact on young people—reveals the companies' true lack of interest in self reform. And media coverage of these developments makes all of this known to policy makers and the general public. In May 2000 I testified to the lack of change by the tobacco companies at the Engle trial in Miami.

One resolution, despite not being passed, was noteworthy for its educational value and was introduced at Philip Morris's annual meeting in 1992. It called for the company to sponsor a study of the impact of cigarette advertising on young people. Wayne McLaren, a former Marlboro model with inoperable lung cancer, seconded the resolution and spoke on its behalf.[9]

Conclusion

Despite the apparent successes of the Interfaith Center on Corporate Responsibility in dealing with tobacco issues, irreparable harm is still being done. Yet when the centre finds itself discouraged at its modest results, it can comfort itself in knowing that it operated from a different "bottom line" to that of most investors. Its definition of success cannot be measured by results but by fidelity. If fidelity is the determinant of the centre's success, I think the record will show it has indeed been successful.

Members of the Interfaith Center on Corporate Responsibility's issue group on tobacco include MHC, Drs Gregory Connolly and John Slade, Richard Daynard and Edward Sweda of the Tobacco Products Liability Project, and Tim Smith (executive director of the centre). The author discussed his research at the 10th World Conference on Tobacco or Health in Beijing, 1998.
Competing interests: None declared.

1 *Holy Bible*. 1 Corinithians 6:19-20.
2 Respect for Health. In: *Catechism of the Catholic Church*, No 2290. New York: Catholic Book Publishing, 1994:551.
3 Crosby MH. Sins of tobacco require more than day's indulgence. *National Catholic Reporter* 1998;18 Dec:24.
4 DiFranza JR, Lew RA. Effect of maternal cigarette smoking on pregnancy complications and sudden infant death syndrome. *J Fam Pract* 1995;40:385-94.
5 Blum A, Fitzgerald K. How tobacco companies have found religion. *NY State J Med* 1985;85:445-50.
6 Shareholder success stories. *IRRC Investor's Tobacco Report* 1997 Oct.
7 Balu R, Beck E. Heeding critics, Sara Lee Corp. kicks tobacco. *Wall Street Journal* 1988;8 Apr:B1.
8 Wildey MB, Woodruff SI, Pampalone SZ, Conway TL. Self-service sale of tobacco: how it contributes to youth access. *Tobacco Control* 1995;4:355-61.
9 Blum A. Cowboys, cancer, kids, and cash flow: the 1992 Philip Morris annual meeting. *Tobacco Control* 1992;1:134-7.

(Accepted 5 July 2000)

Achievements by religious shareholders[6]

1992: Philip Morris agrees to put health warnings on cigarette packs sold outside the United States (this result was gained after 12 years of effort)

1994: McDonald's bans all smoking in all its corporate owned restaurants

1995: International Flavors and Fragrances stops selling its additives to US tobacco companies (followed in 1986 by Union Camp)

1995: Kimberly-Clark spins off its tobacco related business

1995: Knight-Ridder (owner of publications such as the *Charlotte Observer* and *Philadelphia Inquirer*) restricts the acceptance of tobacco advertisements in its newspapers

1996: 3M announces a global phase-out of tobacco advertisements for its billboards

1997: R J R Nabisco Holdings ends its Joe Camel advertisment campaign in the United States; it ends its campaign globally in 1998 after another resolution is filed